

Message Text

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PAGE 01 SANTIA 10311 282148Z

ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00

COME-00 DODE-00 DOE-11 H-01 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07 SP-02

SS-15 STR-05 TRSE-00 ACDA-12 PA-01 PRS-01 GSA-02

HA-05 /121 W

-----025598 290612Z /23

R 282121Z DEC 77

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 7621

INFO AMEMBASSY BUENOS AIRES

AMEMBASSY LIMA

AMEMBASSY LA PAZ

AMEMBASSY BRASILIA

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E.O. 11652: N/A

TAGS: EINV EMIN CI

SUBJECT: EXXON GOES INTO THE COPPER BUSINESS

REF: SANTIAGO 10154

1. ON MONDAY, DECEMBER 26 THE BOARD OF DIRECTORS OF ENAMI, THE GOVERNMENT AGENCY WHICH ADMINISTERS THE STATE-OWNED, MEDIUM SIZE COPPER MINES, VOTED UNANIMOUSLY TO ACCEPT EXXON'S PROPOSAL TO BUY OUTRIGHT 87 PERCENT OF THE COMMON STOCK OF LA DISPUTADA DE LAS CONDES. SEE SANTIAGO 10154 FOR THE DETAILS OF THIS OFFER. THE PROPOSAL WAS PRESENTED BY EXXON MINERALS, A WHOLLY-OWNED SUBSIDIARY OF ESSO EASTERN WHICH IS A DIVISION OF THE EXXON CORPORATION. THE PROPOSAL WILL NOW BE EMBODIED IN A CONTRACT TO BE SIGNED BY EXXON AND ENAMI BEFORE THE END OF JANAUARY. SINCE THE PROPOSAL HAS BEEN ACCEPTED IN ALL DETAILS, NO HITCHES ARE EXPECTED.

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2. UNLIKE OTHER RECENT AGREEMENTS (SEE SANTIAGO 5824) INVOLVING ONLY CONCESSIONARY RIGHTS TO UNEXPLOITED ORE BODIES, LA DISPUTADA IS AN OPERATING SMALL-SCALE MINE WITH AN ANNUAL PRODUCTION OF 35,000 MT FINE COPPER. A LOCAL SPOKESMAN FOR EXXON HAS STATED FOR THE RECORD THAT THERE ARE NO PLANS TO RECUCUE THE PRESENT LABOR FORCE. IN FACT, HE CONTINUED, WHILE A LARGE EXPANSION PROGRAM IS BEING STUDIED, EXXON WILL CONTINUE

TO OPERATE THE MINE AT PRESENT PRDUCTION LEVELS.

3. COMMENT. NOTEWORTHY IS THE EXCEPTIONAL SPEED WITH WHICH THE GOC ACTED IN THIS CASE. PREVIOUS AGREEMENTS TOOK AS LONG AS A YEAR TO NEGOTIATE. THE DECISION ON LA DISPUTADA, INVOLVING MANY LEVELS OF GOVERNMENT, WAS TAKEN IN SIX DAYS, INCLUDING THE CHRISTMAS HOLIDAYS. SEVERAL REASONS OCCUR TO US AS POSSIBLE EXPLANATIONS FOR THIS UNUSUAL ALACRITY. FIRST, THAT EXXON MADE AN OFFER THEY COULDN'T REFUSE. ONE UNSUCCESSFUL ASPIRANT -- A COMPETITOR OF EXXON -- SAYS THAT THE OFFER WAS INDEED A HANDSOME ONE, EVEN OVERGENEROUS. SOME HOLD A CONTRARY VIEW -- THAT IN TERMS OF LONG-TERM POTENTIAL IT WAS A STEAL. SECOND, THAT ENAMI, HAVING MISSED SEVERAL DEBT PAYMENTS, IS BROKE AND NEEDS THE MONEY BADLY. FROM MANY RELIABLE SOURCES WE KNOW ENAMI HAS FINANCIAL DIFFICULTIES; BUT THEN SO HAS IT ALWAYS HAD. THIRD, WE SPECULATE THAT IN THE FACE OF INTENSE INTERNATIONAL CRITICISM ON HUMAN RIGHTS AND POLITICAL GROUNDS, THE GOC HAS TAKEN THIS OPPORTUNITY TO DEMONSTRATE THAT NEVERTHELESS, LARGE SUPERNATURAL CORPORATIONS ARE WILLING TO INVEST IN CHILE'S FUTURE. FINALLY, THE ULTIMATE SUCCESS OF CURRENT GOC ECONOMIC POLICY (CONTINUED REAL GROWTH) DEPENDS IN LARGE MEASURE ON A SUSTAINED HIGH LEVEL OF FOREIGN INVESTMENT. TO DATE, NOT MUCH HAS BEEN FORTHCOMING. THE GOC MAY VIEW THE QUICK ACTION ON THIS PROJECT AS ENCOURAGING OTHER POTENTIAL LARGE INVESTORS.

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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
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Concepts: COPPER, INVESTMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 28-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
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Disposition Reason:
Disposition Remarks:
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TAGS: EINV, EMIN, CI, EXXON
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